



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

IV. FINANCIAL MANAGEMENT REPORTING AND GPRA

The Department is committed to preparing and publishing complete, concise, understandable, and meaningful information about the financial and operating performance of the Department and the individual bureaus, offices, and programs which comprise the Department. The CFO Act requires that agencies' trust funds, revolving funds, and substantial commercial activities be covered by audited financial statements. Interior believes that financial statements are important and has, since 1992, prepared and audited financial statements for all bureau financial activity. The Government Management Reform Act (GMRA) now requires agencies to prepare agency wide financial statements for FY 1996. The Department prepared a Consolidated Financial Statement for FY 1994 (unaudited) and FY 1995 (audited) in preparation for complying with GMRA requirements.

The CFO Act also requires the Departmental CFO "maintain an integrated accounting and financial management system, including reporting and internal controls, which ...provides for...the systematic measurement of performance." The passage of the GPRA necessitates that Federal agencies effectively plan, budget, execute, value, and account for resources appropriated to Federal programs. The Congress, the administration, and taxpayers want greater accountability in the management and operation of Federal programs. The GPRA is a driving force toward establishing a "performance-based infrastructure" within the Federal government. Interior is committed to taking the appropriate steps to comply with GPRA requirements, appropriately coordinated with effort to comply with CFO Act and GMRA requirements.

The strategies for improving financial reporting and supporting the implementation of GPRA are as follows:

Improving Financial Reporting

The Department's goals are to receive an unqualified audit opinion all bureau financial statements and the consolidated Department financial statements, to strengthen financial controls, and ensure that financial data produced for management decision-making is reliable, verifiable and consistent with the annual audited financial statements.

The Department's financial reporting strategy is to continue to have each bureau continue as a reporting entity for purpose of preparation of CFO Act financial reports. The preparation of the Department's consolidated financial statements will be based on the bureau level audited financial data. The Department believes that the long-term benefits of bureau-wide statements, including usefulness to users and verification of financial and cost accounting data used by management, are well worth the investment required. This approach has a number of important and definable benefits. First, it will assist in providing the financial information necessary to support the implementation of the GPRA. Second, the quality of financial information available to management will greatly increase as financial systems, accounts and information are scrutinized and refined. Third, the products produced will provide a clear and concise summary of the overall operations, accomplishments and concerns of each of the Department's operating components. Finally, long-standing operational problems have been highlighted by the financial statement process and subsequently corrected. Improvements to date



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directly attributed to financial statement audits have covered areas such as inventory management and collection of accounts receivable by working capital funds.

Of the 12 FY 1995 bureau-level financial statements, 10 received unqualified audit opinions, indicating that the financial information presented was fairly stated in all material respects. The Office of the Inspector General expressed unqualified opinions on the FY 1995 financial statements of the following 10 bureaus: Fish and Wildlife Service, Bureau of Land Management, Minerals Management Service, U.S. Bureau of Mines, National Biological Service, National Park Service, Bureau of Reclamation, Office of Surface Mining, Office of the Secretary, and the Office of Territorial and International Affairs. The U.S. Geological Survey and the Bureau of Indian Affairs received qualified opinions. However, all bureaus continue to demonstrate significant progress in improving the quality of financial data and financial statement presentation.

In addition, the Department received a qualified opinion on the FY 1995 Consolidated Financial Statements. Thus, the Department has met the requirements of the GMRA for audited Department-wide financial statements **1 year in advance of the requirement**. This places the Department well ahead of many other Federal agencies.

Exhibit IV-1 presents a summary of the Department's accomplishments in the areas of financial statement preparation and audits.

Action Items - The Department intends to continue to improve the quality and timeliness of financial reporting and will con-

tinue to prepare annual financial statements for all reporting entities, including bureaus and the consolidated Department-wide financial reports. Further, the Department is committed to conducting annual audits of the financial statements of all reporting entities. The ultimate goal is to achieve unqualified opinions on all bureau financial statements as well as the consolidated financial statements.

In addition, OMB has been encouraging agencies to join a pilot effort to streamline reporting through consolidating various reporting requirements into an accountability report. The Department has evaluated its ability to prepare an Accountability Report, which will integrate the multiple financial management performance measurement requirements of the CFO Act, GPRA, GMRA, FMFIA, and NPR into a comprehensive process. The Accountability Report will encompass consolidated financial information, as well as a variety of other information which demonstrates the Department's stewardship over the assets, missions and responsibilities entrusted to it.

The Department has submitted a request to OMB to participate in the pilot Accountability Report program for FY1996. The Department's goal is to complete the Accountability Report for Fiscal Year 1996 by March 1, 1997.

Department of the Interior
 Financial Statement Audit Results
 1991 through 1995

	Fiscal Year 1991	Fiscal Year 1992	Fiscal Year 1993	Fiscal Year 1994	Fiscal Year 1995
Department Consolidated				(F/S prepared but not audited)	Qualified (Inventory) All Statements
Fish and Wildlife Service	(F/S prepared but not audited)	Qualified (Property) Balance Sheet	**Qualified (Property) All Statements	Qualified (Property) All Statements	Unqualified All Statements
Geological Survey	(F/S prepared but not audited)	Disclaimer	Disclaimer	Disclaimer	Qualified (Inventory) All Statements
Bureau of Indian Affairs	(F/S prepared but not audited)	Disclaimer	Disclaimer	Disclaimer	Qualified All Statements
Bureau of Land Mgt	Disclaimer	* Qualified (Property) All Statements	Qualified (Property) All Statements	Qualified (Property) All Statements	Unqualified All Statements
Minerals Management Service	Unqualified Balance Sheet	* Unqualified Balance Sheet	Unqualified All Statements	Unqualified All Statements	Unqualified All Statements
Bureau of Mines	(F/S prepared but not audited)	Unqualified Balance Sheet	** Unqualified All Statements	Unqualified All Statements	Unqualified All Statements
Nat'l Biological Service (established Nov 1993)				Unqualified All Statements	Unqualified All Statements
National Park Service	(F/S prepared but not audited)	Disclaimer	Disclaimer	Disclaimer	Unqualified All Statements
Bureau of Reclamation	Qualified (Property) All Statements	* Qualified (Property) All Statements	Qualified (Property) All Statements	Unqualified All Statements	Unqualified All Statements
Office of Surface Mining Reclamation & Enforcement	Unqualified All Statements	* Unqualified Balance Sheet	Unqualified All Statements	Unqualified All Statements	Unqualified All Statements
Office of the Secretary	(F/S prepared but not audited)	Qualified (Property) Balance Sheet	Qualified (Prop & AR) Balance Sheet	Qualified (Prop & AR) All Statements	Unqualified All Statements
Office of Territories and International Affairs	(F/S prepared but not audited)	(F/S prepared but not audited)	Unqualified All Statements	Unqualified All Statements	Unqualified All Statements
* Audit performed in conjunction with fiscal year 1993 audit.					
** Audit performed in conjunction with fiscal year 1994 audit.					



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Government Performance and Results Act

The GPRA requires agencies to develop strategic plans, develop performance indicators, set performance goals, and measure performance against those goals. The Department supports the principles embodied in the GPRA, and has initiated several actions to create the performance management framework envisioned by the GPRA.

The Department and its bureaus are fully engaged in the process of developing strategic plans with performance goals and performance measures. Several ongoing pilot projects are developing appropriate performance indicators for related programs. The lessons learned by these pilots are facilitating the development of program performance measures throughout the Department. Initial steps have also been taken to integrate performance measurement into the annual budget process.

In February 1995, the Department established the Office of Planning and Performance Management to oversee the implementation of GPRA. In addition, this office coordinates the activities of the Strategic Planning Steering Group (SPSG), which is comprised of representatives from Departmental offices and each of the bureaus. Under the direction and guidance of the CFO and the Department's Policy Council, the SPSG has developed a "Strategic Direction" document which refines the mission and sets framework for the Department's strategic plan. The SPSG will continue to provide guidance and assistance to bureaus in developing program performance measures, and in preparing strategic plans.

Since January 1994, the Department has undertaken four pilot GPRA projects which have been approved and endorsed by OMB. They are:

- the Minerals Management Service Royalty Management Program,
- the Fish and Wildlife Service North American Waterfowl Management Plan,
- the Bureau of Indian Affairs Northwest Forest Plan, and
- the U. S. Geological Survey National Water Quality Assessment Program.

These four GPRA pilot programs represent a microcosm of the Department's programs, and were selected to provide a sound base of experience to improve the Department's ability to meet the GPRA requirements for FY 1997 and beyond.

The Royalty Management Program pilot has been very successful. Minerals Management Service employees developed a series of program performance measures, a "compliance index", which directly measures actual performance against the stated program goals of ensuring that revenues due are paid accurately, voluntarily, and on-time. In retrospect, the factors contributing to the success of this pilot were:

- a focused program mission;



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- outcomes which could be measured and expressed in monetary terms; and
- the ability to develop a set of performance measures which relate directly to the outcome measures.

The other pilots are making progress toward developing performance indicators for ecosystem program areas. These pilots involve water quality, wildlife management, and timber resource improvement projects with outcomes that will take years to effect. With such programs, it is difficult to relate the results of specific expenditures at a given point in time to a particular outcome. Further, due to the long duration of projects in these programs, factors other than direct resource expenditures influence program outcomes (i.e., uncontrollable factors like floods, drought, erosion, predators, disease, etc.). Our experience has demonstrated that the ability to accurately relate resource expenditures to specific program outcomes involving ecosystem improvements is, and will likely continue to be, very limited.

Action Items - The first deadlines established by the GPRA are approaching. By September 1997, the Department will submit its Strategic Plan to the Congress. In addition, the Performance Plan for FY 1997 will be submitted with the budget.

To support the development and implementation of performance measurement and reporting under GPRA, the Department plans to include information on the performance plans in the pilot Accountability Report to demonstrate the integration of financial and operating performance information into a single coherent document.